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SUBJECT: RISING PRICES HIT BURMA'S POOR...AGAIN

REF: RANGOON 312

[1](#)1. (SBU) Summary: Rising prices in February again hit Burma's poor hard, with significant increases in the cost of basic foods, transportation, and fuel. A slight, but unexpected, depreciation of the kyat increased the price of imported consumer goods. Dry season power shortages increased, leading to higher fuel prices, and in turn, higher transportation and food prices. The kyat should remain stable until late April when the foreign tourist season ends. In the meantime, the poor face ever tougher struggles just to survive. End summary.

#### Food Prices Up

[1](#)2. (U) The prices of several consumer goods in Rangoon rose significantly in February, including garlic (up 40%), beans (17%), onions (12%), and fish (6%). The price of rice, the staple food, increased 2.4% for fair quality (Emata) and 8% for good quality (Paw Hsan Hmwe) from January. Sources said that December rains, unusual during the heart of dry season, damaged already-harvested paddies, decreasing supply and increasing prices (reftel). On a recent visit to the Irrawaddy delta region, a prime producing area where rice is usually cheaper, contacts told us that rice prices rose 25-30% in recent months and predicted further increases.

[1](#)3. (SBU) Our business contacts speculated about other pressures on rice prices. Some say authorities inflated the price to entice farmers to cultivate paddy rice instead of other profitable crops. Others disagree, saying that rice is a "politically sensitive" crop and authorities do not want rising prices to foster instability. Other contacts suspect that traders hoard rice until the price reaches a targeted selling level. In the past, GOB officials have warned, and even detained, rice hoarders.

#### Fuel Prices Up

[1](#)4. (U) Increased transportation costs contributed to higher food prices. Black market prices increased 6-7% in February to \$2.60 per gallon for gasoline and \$2.87 per gallon for diesel, and public transportation charges increased 5-6% from January. As the dry season continues, the output from the GOB's hydropower generators will drop until monsoons return in June/July. Increased demand for fuel to run individual back-up generators also puts pressure on diesel prices. Our contacts report that power cuts this year are more frequent and last longer than in the past. Fuel prices are even higher outside Rangoon: the price of diesel in the Irrawaddy delta is 20% higher than in Rangoon.

#### Inflation Climbs

[1](#)5. (SBU) The kyat's February depreciation also increased the prices of some imported consumer goods, such as condensed milk (up 14.5%) and margarine (11%). The cost of the Embassy's basket of low-income sector goods rose 4% in February compared with January. The decrease in chicken prices after the GOB announced an outbreak of Avian Influenza in Burma did not affect inflation significantly, since only middle-to high-income families in Burma can afford to buy chicken.

[1](#)6. (SBU) The total cost of goods in February 2006 increased 23% for our low-income commodity basket compared with the same time period in 2005. Wages have not kept pace with rising prices, and low-income workers, already squeezed, can only tighten their belts even further. "We'll just have to eat less," said one contact. The Embassy's informal estimate of the current annual inflation rate for all sectors is between 40% and 50%.

#### The Rise and Fall of the Kyat

[1](#)7. (SBU) The kyat traditionally appreciates during peak tourist season, November to April. This year, the kyat

depreciated 4% at the end of February, against the trend. In February 2005, it appreciated 2.3%. Moneychangers and businesspersons said increased demand for US dollars by unknown buyers caused the abrupt decline.

18. (SBU) After its sudden fall, the kyat regained some value in the first week of March. The unusual February depreciation and quick recovery lend credibility to speculation that the government purchased a large amount of dollars, causing the short-term dip. The GOB needs dollars to import construction materials for the government entities and crony firms building Pyinmana. The kyat traditionally maintains its strength through the Burmese New Year/Water Festival holidays in April, and then depreciates after the April holidays as tourism drops.

19. (SBU)Comment: The mid-April New Year and Water Festival holidays offer a brief opportunity for Burmese to let loose for a few days. They must then return to grim reality. Fuel and food prices continue to rise as the economy sinks, although the return of the monsoon may ease the current power blackouts and reduce demand for diesel. With little prospect for economic reform from a government isolating itself from its own people, ordinary Burmese can do little but focus on their own survival. End comment.  
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